



Arnold Schwarzenegger  
Governor

May 3, 2010  
22M:393:mem:1014

Mr. David Lundberg, Interim Director  
Santa Cruz County Workforce Investment Board  
1000 Emeline Avenue  
Santa Cruz, CA 95060

Dear Mr. Lundberg:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)  
SUMMER YOUTH PROGRAM  
FINAL MONITORING REPORT  
PROGRAM YEAR 2009

This is to inform you of the results of our Program Year (PY) 2009 monitoring review of the Santa Cruz County Local Workforce Investment Area's (Santa Cruz County LWIA) ARRA Summer Youth Program (SYP). This review was conducted by Ms. Molly Maloney from August 10, 2009 through August 13, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP; oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Santa Cruz County LWIA with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

This report includes the results of our review of sampled case files, the interviews conducted, Santa Cruz County LWIA's response to Sections I and II of the ARRA SYP On-site Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on December 1, 2009, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding one cited in the draft report, no further action is required and we consider the issue resolved.

Additionally, your response adequately addressed findings two and three cited in the draft report, and no further action is required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10039 and 10040.

## **BACKGROUND**

The Santa Cruz County LWIA allocated all of its \$1,535,571 ARRA youth allotment to serve 300 ARRA SYP participants. As of September 30, 2009, Santa Cruz County LWIA expended \$330,647 to serve 250 SYP participants.

## **ARRA SYP REVIEW RESULTS**

While we concluded that, overall, Santa Cruz County LWIA is meeting applicable ARRA requirements, we noted instances of noncompliance in the following areas: time cards, work permits, and income eligibility. The findings that we identified in these areas, our recommendations, and the Santa Cruz County LWIA's proposed resolution of the findings are specified below.

### **FINDING 1**

**Requirement:**

OMB Circular A-87, Attachment B, (8)(h)(5) states, in part, that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, they must be prepared at least monthly and must coincide with one or more pay periods, and they must be signed by the employee.

29 CFR 97.20(a) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Section (b)(2) states, in part, that subgrantees must maintain records which adequately identify the source and application of funds for financially-assisted activities. Section (b)(6) requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records.

California Code of Regulations, Title 8, Section 11040 states, in part, that every employer shall keep accurate information with respect to each employee including time records showing

when the employee begins and ends each work period, meal periods, and total daily hours worked.

**Observation:** We observed that records maintained do not adequately identify application of funds due to insufficient documentation of time charges. We found that two of the 19 ARRA SYP timesheets reviewed showed participants not paid for all of the time they actually worked. In addition, we found ten timesheets that contained edits that were not initialed or reconciled to determine the accuracy of the edits.

**Recommendation:** We recommended that Santa Cruz County LWIA provide the Compliance Review Office (CRO) a corrective action plan (CAP) to ensure that timesheet edits are properly documented, ensuring that time worked is accurately charged to the ARRA account. Additionally, we recommended that Santa Cruz County LWIA review the identified discrepancies on the timesheets identified above and take the necessary corrective actions on these discrepancies. Once completed, we recommended that Santa Cruz County LWIA provide CRO with documentation of the results.

**Santa Cruz LWIA Response:** The Santa Cruz LWIA stated that neither the LWIA nor its contractor was aware that each edit would have to be initialed by the employee. Because the program served 243 youth, placed at over 120 sites throughout the county, and because youth were only being paid once a month, edits were made by the contractor County Office of Education (COE) staff based on information received from site supervisors and/or youth via telephone. The edits were made to expedite payroll and thus were not initialed by the youth employee. Since the monitoring review both the LWIA and its contractor COE are now aware that all time sheet edits must be initialed by the employee and that procedure is in place. All the timesheets in question were subsequently initialed by the youth. Additionally, the Santa Cruz LWIA provided documentation that demonstrated the two underpaid participants did receive payment for all time worked.

**State Conclusion:** We consider this finding resolved.

## FINDING 2

**Requirement:** California Labor Code Section 1299 states, in part, every person, or agent or officer thereof, employing minors, either

directly or indirectly through third persons, shall keep on file all permits and certificates, either to work or to employ.

**Observation:** We observed two in-school younger youths had either no work permit or an expired work permit in their case files. One participant, age 17, had a work permit that expired June 4, 2009. Subsequent to the review, Santa Cruz County Office of Education (COE) provided a work permit for this participant effective August 28, 2009 through October 15, 2009. During the participant's enrollment in work experience he did not have a work permit. The second participant, age 15, did not have a work permit in his case file at the time of the review. Subsequent to the review, COE provided a work permit for this participant.

**Recommendation:** We recommended that Santa Cruz County LWIA provide CRO with copies of valid youth work permits for the participants and a CAP stating how it will ensure that, in the future, work permits are kept on file for all in-school younger youth that are placed in employment services.

**Santa Cruz LWIA Response:** The Santa Cruz LWIA acknowledges that the participant (age 17) did not have a valid work permit during the time of the work experience placement. The COE staff has developed a checklist of eligibility items to ensure that all cases contain all necessary forms and documentation. The checklist is used by staff to review the case to ensure the necessary documentation is on file and is also used to inform the youth regarding items of documentation that he/she must provide. With regard to the participant (age 15), this youth did in fact have a valid work permit but it had been misplaced at the time of the case review, and it was produced prior to the exit conference.

**State Conclusion:** We request that Santa Cruz LWIA reverse the work experience charges for the 17 year old participant lacking a work permit during the SYP work experience from the ARRA account, re-allocate the costs to a non-federal funding source, and send CRO documentation of its actions. The Santa Cruz LWIA's stated corrective action should be sufficient to prevent this issue in the future. However, we cannot close this issue until we receive documentation of the reversal of charges for the above participant and verify, during a future on-site visit, Santa Cruz County LWIA's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10039.

**FINDING 3**

**Requirement:** 20 CFR Section 664.215 states, in part, that all youth participants must be registered to participate in youth programs. Registration is the process of collecting information to support a determination of eligibility.

EDD Workforce Investment Act Directive 04-17 transmitted the WIA JTA System Client Forms Handbook. It requires, in part, that once an individual seeks more than minimal assistance from staff, eligibility must be determined and the Enrollment/Registration form is completed to enroll the client into an activity. The enrollment date is the point from which information used in performance measures begins to be collected.

**Observation:** We found that one participant's income eligibility was not adequately documented. The 19 year old in-school participant's case file did not contain documentation verifying the individual's family size or qualifying income.

**Recommendation:** We recommended that Santa Cruz County LWIA provide CRO with a copy of the income eligibility documents for the participant and a CAP stating how it will ensure that, in the future, eligibility documentation is kept on file for all youth participants.

**Santa Cruz LWIA Response:** COE staff has developed a checklist of eligibility items to ensure that all case files contain all necessary forms and documentation. This checklist has been implemented as a means of ensuring that these types of oversights can be minimized in the future. A copy of the documentation of family income was attached and established the participant's eligibility based on family size and income.

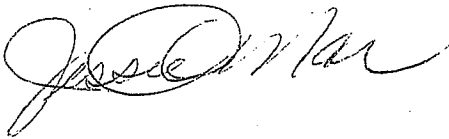
**State Conclusion:** The Santa Cruz County LWIA's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future on-site visit, Santa Cruz County LWIA's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10040.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It

is Santa Cruz County LWIA's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain Santa Cruz County LWIA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Daniel Patterson, MIC 45  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Doug Orlando, MIC 50